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Competitive or Social Cities?

Housing Provision and International Activities of Cities in a Rescaled Statehood

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Abstract

There are different points of view on the political capacity of city governments to steer the process of economic growth in a rescaled statehood. Some scholars see this tendency as an opportunity to overcome the hollowing out of the national state and to reinforce local government. Others argue that there is increased inter-urban competition, which forces urban governments to apply market-oriented strategies, leading to a reduced steering capacity of urban governments. We analyze the inward oriented politics of Berlin's housing sector and show that the city is increasingly under pressure to fulfill the wishes of global real estate investors. We then look at the international activities of Stuttgart that is trying to alter its position in a global market by establishing alliances with other cities. We show that, within both policy areas, the local state is under the pressure of international economic competition while trying to achieve socially coherent urban development.

Cities in a Rescaled Statehood¹

What Le Galès (2003) has called the "return of the cities" is increasingly a phenomenon studied by social scientists. The basic idea is that after decades and even centuries of an increasing influence of the national state on every day's life, we currently witness a reshuffling of state spatial hierarchies (Brenner 2004; Collinge 1999). The traditional dominance of the national state is undermined by global economic pressures. Jessop (2004) speaks in this respect of a hollowing out of the national state. Whereas earlier scholars (see e.g. Jessop 1994) have focused their attention on the retreat of the state as such, proponents of the rescaling approach (see e.g. Boudreau 2003; Brenner 2003; Swyngedouw 2000) have then focused more on scalar questions of the state structure and possible scalar shifts of state acting capacities. They see a double tendency of a shift upwards to the supra-national scale (as for example the EU or the WTO) and a shift downwards to cities as nodal points of economic processes in the age of globalization.

This paper has its focus on the downscaling aspect and we will therefore first explain why cities could be the scale where political steering is conducted. In the second section, we will then show that the proponents of the rescaling approach, although agreeing on the downscaling as such, do have contradictory views in what way cities will exercise their steering capacity. As we will point out, there is a controversy how cities will use their newly gained force. Some authors argue that cities use this force for a possible counter trend against the current shift towards neo-liberal policy making. Other authors, however, argue that cities follow the shift towards neo-liberalism of economically oriented policy-making that the national scale has already implemented (Dicken 1994; Gill 1995; Porter 1990). A neo-liberal turn can be defined according to Mudge (2008: 705, see also Larner 2000) as: First, the intellectual face of "an unadulterated emphasis on the market as the source and arbiter of

¹ An earlier version of this paper was presented at the 39th annual meeting of the Urban Affairs Association in Chicago in March 2009.

human freedoms". Second, its bureaucratic face of "liberalization, deregulation, privatization, depoliticization, and monetarism". Third, neo-liberal politics as a "market-centric notion [...] about the state's responsibilities (to unleash market forces wherever possible), the locus of state authority (paradoxically, to limit the reach of political decision-making), and the state's central constituencies (business, finance, and middle class professionals)".

To test these contradictory hypotheses from the rescaling theory, we will bring together the research from two different policy sectors. Although the neo-liberal turn has been discussed at the urban scale as well as in different policy sectors, we would like to contribute to the discussion with insights from two policy areas that have been under-investigated in this respect so far and to make an attempt in a comparative analysis across policy areas. First, we will analyze the housing politics within Berlin's urban renewal, where the city transfers its steering capacity to private actors following neo-liberal strategies to make the city attractive for investment. Second, we will look at the international activities of another German city, Stuttgart. With their relatively newly set up international engagement, Stuttgart tries to strengthen its good economic position in the international inter-urban competition. We will conclude that within both policy domains, the housing politics and the international activities, the increased economic competition led to the predominance of entrepreneurial strategies over policies oriented towards social coherence.

Rescaling and Downscaling

The basic idea of the rescaling approach is that current state rescaling processes are shaped by globalization as an economic reshuffling of traditional processes of place and production. Global cities gain power in these economic processes (Knox 1995; Massey 2007; Sassen 1991). Capital accumulates and the global flow of trade is managed within these cities, which makes them nodal points of globalization (Begg 1999: 796; Rogerson 1999: 972; Scott 1996;

Storper 1997). The general concept of the rescaling approach is that the state rescaling should follow the logics of this economic rescaling, so cities should gain political power due to their economic strength (Friedmann 2001: 122). At the same time, the increasing importance of cities as nodal points of globalization leads to a scalar reorganization of competition. Whereas in earlier days, it was primarily a competition between national economies, it is nowadays increasingly an inter-urban competition between cities, thereby neglecting the national states in which they are located.

Cities are thus engaged in a global struggle for competitiveness that involves state rescaling processes. Cities thereby gain force in a glocalised world (Swyngedouw 1992). However, *it remains an open question how cities use this newly gained political steering capacity.*

Political Steering Capacity at the Urban Scale

The basic disagreement concerning the political reaction at the city scale towards its increasing political steering capacity concerns its reaction to the above-described economic process of global- or rather glocalisation. The process of glocalisation is responsible for the gained steering capacity at the city scale. However, the political response to this economic rescaling is unclear. There are on the one hand scholars who point to the possibilities of the city scale as the scale of a possible counter trend against the neo-liberal turn in politics in general (see for example Holston 2001: 326f. ; Moulaert et al. 2007: 196). This hope is linked to the importance of cities for global enterprises. Scholars from this strand of the rescaling approach state that big enterprises are still locally place-bound, although they are global in their economic outline. This place-boundedness of enterprises is most clearly visible in global cities where global economic flows come together. There is thus still a dependence of business on place and thereby on (local) politics in large cities. Therefore, cities still have the political possibilities to control the economic development within their areas and are not

"leaves in the wind of globalization" (Savitch and Kantor 2002: 346ff.). The city is thus the scale where a re-regulation of economic processes should be possible. An urban coalition should be constituted against the retreat of the state and the turn towards entrepreneurial goals (Harvey 1989: 5; Keil 2003; Smith 2002). The downscaling of political steering capacities should allow for a more social oriented way of policy-making. The empowerment of urban areas due to current state rescaling should lead to a shift of redistribution possibilities on the urban scale (Moulaert 2000; Pendras 2002).

On the other hand, there is a much more critical strand of the rescaling theory (Peck 2002: 333). Jones/MacLeod (1999, see also MacLeod 1999) argue that the process of a shift of political decision-making power does indeed open up new possibilities for statehood at the city scale. However, they challenge the view that the cities will be the starting point of a political initiative against the trend towards neo-liberalism. They argue that the same process that has led to neoliberal strategies on the national scale will be reproduced on the city scale. Cities that are increasingly engaged in a global interurban competition (Mayer 1994: 318f.) will lose control over market processes and they will primarily focus on the provision of best options for business. As discussed above, this neo-liberal turn takes different forms, from lowering taxes for business investors, to privatization of state-owned enterprises to new institutional forms of governance whereas private actors receive a greater role in implementing policy. Scholars of the critical strand of the rescaling approach thus state that there is a turn towards neo-liberal policy-making on several scales. This also includes the local scale where these scholars cannot witness a counter-trend against neo-liberal policy-making. The turn towards competitiveness goals at the local scale by entrepreneurial cities is thus in line with general trends towards neo-liberal policy-making on several scales. Harding (1997: 295) accurately summarizes the position of cities in the new scalar orientation of global competition: "Localities have something to play for and something to compete with".

The adjustment to neo-liberal policy goals on the urban scale is, in the view of the proponents of the critical strand of the rescaling theory, necessary to adapt to the global competition of cities. There is thus, although we see a shift of political steering capacity to the urban scale, no room of maneuver for cities to use this scale other than to strengthen their position in the global inter-urban competition (Brenner 2004: 207; Gordon 1999: 1002). This also means a focus of cities on locational politics instead of social cohesion (Begg 1999: 805; Gill 1995: 417).

How can we empirically tackle this general theoretical divide within the rescaling literature between the two contrasting views of urban politics? Savitch and Kantor (2002: 48f.) introduced the differentiation between an orientation on social cohesion ("political logic") or on economic competitiveness ("economic logic") in urban policy-making. The first primarily aims to equalize the inequalities between the citizens whereas the second aims to increase international competitiveness. These strategies are not "mutually exclusive" (Savitch and Kantor 2002: 23); the choices cities make however depend on their financial resources. Cities struggle more and more for "tax revenue and jobs" (Savitch and Kantor 2002: 349) and have therefore less capacity to shape policies in a social coherent way. Thus, they are much more prone to apply an economic logic. We will use this distinction between social cohesion and economic competitiveness to analyze two urban policy areas, housing provision and international activities to see if recent changes in these two policy areas provide evidence for one of the two contradictory hypotheses presented above. Our analysis is based on more than 30 interviews with key policy makers in both policy areas and an extensive documentary analysis.

We focus on two policy areas in the German context. Our choice of the two policy areas is motivated by the fact that housing policy on the one hand is traditionally an important urban policy domain for social coherence. International activities of cities, on the other hand, is a

newly emerging policy area where it is a priori unclear if it is a domain of social cohesion or competitiveness.

Housing politics without the state: Urban Renewal in Berlin

A Traditional Domain of Social Policy: Housing

Housing politics has long been a domain where state intervention was regarded as necessary to provide good quality and affordable housing for everyone. In Germany, but also in other European countries, the provision of housing by the state was long not only targeted at the urban poor, but at a broad strata of the population (Droste and Knorr-Siedow 2007). Housing politics was further seen as part of urban renewal, the modernization of housing was considered to improve the quality of life in neighborhoods and henceforth the social conditions of its inhabitants. While there were some housing provided by the national level in Germany, the main regulation of provision of housing was always on the regional and local scale. The local scale has been further strengthened when the national scale first sold its housing stock and reformed its law for the provision of housing (Wohnungsbaugesetz).

In recent years, housing politics has however become more and more contested and there is a general trend of withdrawal of the state from the direct provision of housing. Privatization of social housing and outsourcing of urban renewal strategies to private actors are observed in most European countries (Scanlon and Whitehead 2008). Based on the example of Berlin's housing politics, we will tackle the question if this withdrawal can be regarded as a neo-liberal turn.

Berlin's Development: not as global as hoped for

After re-unification, Berlin has developed quite differently from the way it was anticipated by the German and the Berlin government. The decision to re-establish Berlin as Germany's

capital raised expectations for Berlin as another nodal point for the European or world economy, able to attract international headquarters and to compete with Paris or London. The growth expectations were however exaggerated and the population as well as the economy declined (Häussermann and Kapphan 2002; Krätke 1999). While there was a short period of an increasing population at the beginning of the 1990s that started before re-unification, the population has declined since 1994 and no one is expecting it to rise significantly in the near future (Häussermann and Kapphan 2002). The population decline was not only due to an outmigration of the region, but also due to an impressive suburbanization process. The general demographic development and the in-migration, mostly from abroad, are not able to balance this out. The economic downturn was due to the outdated economic structure that was highly subsidized in East as well as in West Berlin. The de-industrialization and transformation process after the discontinuation of state subsidies in the 1990s led to the loss of half a million industrial jobs that have not been replaced by service and creative industries (Knorr-Siedow 2009). Even though there is a growth in service jobs, these sectors are not emerging in the anticipated pace (Krätke 2001). These economic and demographic changes during the last twenty years also affected the fiscal income and the budget of the city of Berlin.

The high expectations for the city of Berlin but also the poor condition of the housing stock in East Berlin led to an immense investment into the housing sector, from the private as well as the public sector. The government was promoting the construction of new social, but also private housing with subsidies and tax relief. Additionally, urban renewal strategies for the modernization of Berlin's housing stock were extended to the neighborhoods of East Berlin. The financial condition of Berlin has however already been weakened by the loss of subsidies from the national state. Because of the increased financial constraints, the state started to withdraw from housing provision with the argument that due to an oversupply there is no

further need to invest in housing. This can be demonstrated with two examples from the housing sector. First, there is a withdrawal from the provision of social housing and second an outsourcing of urban renewal ("Stadterneuerung") to the private sector. In this paper, we focus on these two aspects of the provision of housing whereas the withdrawal is most significant. In the next two sections, we will first discuss the development of the states activities within these two areas of the housing sector and then point out some of the motivations behind these withdrawal strategies.

Berlin's Withdrawal from Housing: Two Examples

a) Social Housing

Compared to other European countries, social housing in Germany has never been state managed. However, the state subsidized a wide range of actors from private housing companies and non-profit housing cooperatives, which built housing with state grants and tax relief. These actors in consequences adhered to certain obligations during a negotiated time period (Stephens, Elsinga and Knorr-Siedow 2008). These housing units were linked to certain allocation rules and these housing companies had enforced income limits or rent ceilings. The state then paid the difference between the rent of the social housing and the cost rent for a certain time period, before the housing company could rent or sell them at market price. However, these housing companies, legally private firms, were often owned by the state and therefore continued to rent out their housing as "quasi-social housing" (Stephens, Elsinga and Knorr-Siedow 2008: 119) even after the lock-in period. In the last few years, Berlin's government discontinued this form of social housing provision and withdrew from direct subsidies to the construction of new housing and the modernization of existing dwellings. Thus, the lock-in periods of the still existing social housing dwellings are phasing out while no new ones are following.

The state however is not only stopping the construction and maintaining of social housing, but it is actively also withdrawing from the “quasi-social” housing. The municipal housing companies whereas Berlin was its only shareholder have been increasingly sold to private, often international investors. The Land of Berlin owned a total of 482,000 housing units through 20 municipal housing companies in 1990 (28% of Berlin's housing stock). In 2005 43% of these housing units (Holm 2007) have been abandoned, mostly through privatization of the housing companies, but also through the selling of single units to owner-occupiers. There are now eight municipal housing companies owned by the Land of Berlin left.

Thus, the government has not only withdrawn from the direct subsidization of housing, but also constantly reduced its influence in the housing market. At the same time, the new Law on the Reform of Housing Regulations (Gesetz zur Reform des Wohnungsbaurechtes) from 2001 “marks a turn away from the funding of specific types of dwelling towards personal subsidies” (Droste and Knorr-Siedow 2007: 90). This means that social security is no longer regulated via the offer of housing, but via housing money (“Wohngeld”) that is distributed to the tenants that are not able to afford market-based housing (Häussermann and Kapphan 2002). While housing policy was previously seen as a need for everyone, the new orientation of Berlin's housing policy is no longer targeting a general public, but only the ones most in need.

There is thus a new regulatory framework of housing provision whereas the state is withdrawing from direct influence and only plays a subordinate role as mediator. This reduced sphere of influence also leads to a weakening of the state's steering and regulation capacity. The state is no longer providing a socially coherent housing strategy that prevents processes of segregation.

b) Urban Renewal

The second aspect of the provision of housing studied in this paper concerns the modernization of housing through urban renewal policies. The urban renewal ("Stadterneuerung") is a program that aims to improve the quality of the housing stock via modernization. Before Germany's re-unification, the urban renewal was linked to the idea that housing condition is closely interrelated with its social structure. The program therefore concentrated on the modernization of housing in deprived areas of West Berlin. In the 1980s, the urban renewal program was completely funded by state investment in the modernization of the dwellings. After re-unification, the urban renewal program was extended to East Berlin. However, the circumstances have changed. Berlin has lost its special status and could no longer count on national subsidies. Thus, the financial situation of Berlin has been weakened and it was clear that the new urban renewal program for East Berlin's districts had to be done by private investment.

Thus, for the first time in Berlin's history of urban renewal, the city is financially incapable to grant subsidies for housing construction and is therefore dependent on private real estate developers to improve its housing stock. A direct steering by the governments subsidies coupled with rent limitation is replaced by an indirect steering and mediating between private real estate investors and tenants. The state's steering capacity is limited to the regulation by law (Holm 2006). However, rent regulation through law is nowadays only possible to a certain extent, since too much regulation would put investors off. As Holm (2006: 301, our translation) puts it: "In order to be able to keep up urban renewal, the general and specific interests of the owner of the housing stock have to be allowed for".

Another important aspect of the urban renewal program is its decentralization, meaning there is now no central actor in charge of the program. In fact, the program is steered by private consulting firms, which compete for the designated redevelopment areas. Furthermore, the increasing atomization of housing owners due to the privatization of Berlin's housing stock

complicates the centrally steered urban renewal process. This decentralization leads to an informal network of actors, mostly investors and consulting firms that works fairly well in itself, is however not democratic nor transparent in its action and therefore difficult to form resistance against (Holm 2006).

The Neo-liberal Orientation of Berlin's Housing Provision

Due to a fast de-industrialization process and the lack of subsidies by the national government after re-unification due to the loss of its specific status, Berlin's budget is highly constrained. Moreover, Berlin has gotten into huge debts because of the construction shortly after re-unification based on the high growth expectations. The decline of the economy and the population however further reduced Berlin's fiscal income. Thus, Berlin's government started to involve private actors into the provision of housing. This, however, means a reduced steering capacity for maintaining a socially coherent housing strategy.

Both these examples, the withdrawal from social housing and urban renewal, show how the steering capacity of Berlin's urban government is reduced. Privatization of state-owned enterprises and new institutional forms of governance reduce the state's role to a mediator between private actors. Looking at the reasons for this withdrawal, we are presented in both cases with the same discourse.

First, it is argued that Berlin is no longer able to provide the necessary financial means for the construction, maintenance and modernization of its housing stock. Even more, Berlin tries to improve its budget by selling out its housing companies, also referred to as its “silverware” in the public discourse (Rügemer 2006). It is argued that these companies are not profitable for the city and only create additional debts for the government. Thus, the withdrawal of the state is based on its financial condition. There is however also the argument, not often publicly outspoken, that Berlin needs to attract investment, including foreign investment. A

privatization of Berlin's housing stock is therefore necessary in order to provide interesting investment opportunities. The privatization of its housing stock and depolitization of its urban renewal process is clearly a turn towards entrepreneurial strategies. The market becomes the main denominator within the states steering.

A second reason for the withdrawal of the state from the domain of housing provision is the argument that Berlin's oversupplied housing market is automatically providing affordable and good quality housing. If this is the case is highly debated. While there is affordable housing on the outskirts of the city, the housing within inner-city districts can no longer be seen as such. However, no matter if there is a need or not for further affordable housing, it is clear that housing politics no longer belong to policy areas that are regarded as "popular". Housing policy is not in line with entrepreneurial strategies. Other policies like place marketing, innovation policy or economic policy have become more dominant, at least within the policy discourse. We therefore argue that this is also a sign for a neo-liberal turn in city politics. Housing policy aims at providing the population of the city with good quality but affordable housing and is clearly oriented towards social coherence. This aim, however is not in accordance with an entrepreneurial strategy, but uses many state resources.

Thus, we can clearly see a neo-liberal turn in the city government's strategies where entrepreneurial goals dominate over the aim of social coherence. Through the financial constraints and the economic pressures of globalization, the state is forced to become more competitive as a place for private investment and therefore has to orient its policies towards private interests giving up some of its steering capacity for a socially coherent strategy.

The empirical case of the international activities of Stuttgart discussed in the next section shows how this argument unfolds in an economically powerful city and within a policy area that has increasingly gained popularity.

The International Activities of Stuttgart: Going Global for Business

What is this? Urban Foreign Policy

The phenomenon of cities that develop their own international activities is everything else but new, as some of their city partnerships date back to the middle age. However, we can see an astonishing boost in these international contacts between cities since the 1980s when the idea of city networks has spread all over Europe (and increasingly also over the rest of the world). Several authors (see for example Brenner 2004; Leitner 2004) see cities' international activities as one clear aspect of state downscaling processes. Cities as nodal points of this increasingly global – or better glocal – competition are thus consequently substituting the national state on the international parquet with their own international activities. They thereby bypass the national state and jump scales (Smith 1995) as the cities' international activities hardly reflect the national policy in the respective policy area.

However, as mentioned in the precedent section, it is unclear whether the newly set up international activities of cities are part of a turn against neo-liberalism or not. Early scholars had the hope that cities' international activities are "a new policy option [...] which has the potential to overcome the negative effects of urban competition" (Heeg, Klagge and Ossenbrügge 2003: 139). The hope was that the cooperation of cities in networks would hinder them to compete each other and that the interurban cooperation schemes in general would strengthen the position of the economically important city scale against market forces. Other, and more recent contributions to the debate about cities' international activities have more critically pointed to the fact that these hopes were not supported by empirical investigations of interurban cooperation schemes (Brenner 2004; Lefèvre and d'Albergo 2007; van der Heiden 2008). We will therefore and according to the theoretical outline above look at

the content of Stuttgart's international activities. However, let us first start with an overview of these activities.

Stuttgart goes global

Stuttgart is historically known as an automobile city. Both the Daimler and the Porsche company have their headquarter in the agglomeration of Stuttgart. Many small companies of the city and the city region are suppliers for the automobile industry. Stuttgart is the German city-region with the highest industrial density (Verband Region Stuttgart undated: 3). Looking at the international activities of the city of Stuttgart, we can indeed see that they have recently but severely increased. Stuttgart has not only entered ten city partnerships since the 1950s, but it has become a member or even initiated no less than nine city networks since the mid 1990s.

Linking the Economic Situation with the International Activities

The focus of the international activities clearly lies in Stuttgart's economic necessities. These are first and foremost the automobile industry. When we look at the nine city networks where Stuttgart cooperates in, no less than four of them deal with issues of mobility. Stuttgart joined very early two existing networks dealing with transport issues (POLIS and CIVITAS). Stuttgart also took the lead on one of the URB-AL programs, an EU-program to establish links between European and South American cities. Notably, Stuttgart presided one of the programs within this network that deals with mobility and transport. After the end of this network, Stuttgart decided to create a follow-up network of this, the Cities for Mobility network. However, the latter network deals with mobility issues in a much broader way than the other three networks, which rather focus on public transport. The Cities for Mobility network is also sponsored by several big industry companies of the region, most notably

Daimler and Porsche. The Cities for Mobility network is one of the few examples of a network that is organized as a public-private partnership structure. Stuttgart's engagement within UCLG, a multi-level lobby network, is high. Stuttgart set up a sub-group on mobility within the UCLG network with the mayor of Stuttgart presiding this subgroup. This engagement is closely linked to the Cities for Mobility network. The leadership position of the mayor of Stuttgart is used to strengthen the position of the city as one with expert knowledge in the domain of mobility. Stuttgart therefore clearly follows a strategy that is in line with its economic interest. The city of Stuttgart has used international activities as a new instrument of urban politics and has gained an increased political steering capacity due to its international linkages.

This is also manifest in Stuttgart's city partnerships. The city has considerably changed the outline of these partnerships in the last decade. The original idea of bridging the gap between cities from Second World War enemy states and of development aid were partially replaced by a strategy that sees partnerships as a possibility to promote Stuttgart on the global map and to set a foot in emerging markets (Landeshauptstadt Stuttgart 2006; Landeshauptstadt Stuttgart 2003: 9).

The Neo-liberal Orientation of Stuttgart's International Activities

Scholars (see for example Lefèvre and d'Albergo 2007; Savitch and Kantor 2002) have also suggested that economically disfavored cities would be the ones that would most likely enter international activities, as the political pressure to sell the city on the international level is high. Truly global and economically strong cities should see a smaller need to enter political international activities as their international economy is already highly internationally linked (van der Heiden and Terhorst 2007). The city of Stuttgart is both an economic powerhouse and has a strong political commitment to international activities and thereby contradicts this

idea. However, the economic strength is linked to the industrial sector. This makes the city vulnerable to globalization pressures, as the industrial sector is seen as the one where international competition and the fear for a relocation to low-wage countries is high.

This indeed explains the strong engagement of Stuttgart in international activities. The actors involved in international activities do see that the Stuttgart area is economically strong. However, they put an emphasis on the threatening of this strong position. Policy makers see a high dependence on the highly globalized and competitive automobile sector. They constantly fear to lose the respective work places to low cost countries. Thus, although economically a powerhouse of the German and the European economy, Policy makers in Stuttgart perceive their own city as globally relatively unknown and in a constant struggle to stay competitive. Therefore, the strong political engagement in international activities is justified by their linkage to the economic prosperity of the city. As this prosperity is seen as constantly in danger, the globalization discourse and the necessity for Stuttgart to position itself "on the map" dominates the engagement in international activities. One interviewee mentioned the special commitment of the mayor to promote Stuttgart as an international leader in automobile manufacturing: "The mayor has the goal, not just for Germany, but worldwide, to be the Mecca for automobilists and he does a lot on several scales at the moment" (our translation).

The link between the economic outline and the international activities in Stuttgart can not only be constructed through the importance of the automobile sector and the respective international engagement in mobility networks, but also in the newly set up networks CLIP and Cities for Children. Whereas the first is an international network of cities sharing best practices in immigration policy, the latter is in international network of cities dealing with best practices in child care. Both networks are currently being set up by the city of Stuttgart with a respectively high financial engagement to do so. Stuttgart is committed to these aspects

and looks for an international cooperation in these domains because of its special economic position. Whereas many other German cities face severe depopulation and high unemployment rates, Stuttgart prospers economically and is in need of more skilled workers. Stuttgart therefore feels "a bit lonely" within the traditional multi-level governance system of Germany, facing other problems than the rest of the country. Thereof, the idea of an international, rather than an intra-national cooperation between cities emerged. Stuttgart now tries to find cities with similar problems in order to learn from them in the two aspects of child care and immigration. Both aspects are seen as key elements for the future prosperity of the Stuttgart economy.

We can therefore conclude that Stuttgart has clearly followed a neo-liberal orientation in its international activities. Although several of the international networks in which Stuttgart participates have a social orientation, this is a misleading picture. The indirect link with the economic orientation is overwhelming. Not only have the responsible policy makers first analyzed the economic necessities of its area before they enter or set up certain networks, they have also changed systematically the outline of existing partnerships and networking activities towards a more coherent economic outline. With the newly emerging networking activities, the outline of the international contacts as a whole has dramatically changed. From the earlier city partnerships that were set up in the aftermath of the Second World War, we see a new development towards place promotion activities in partnerships and networking activities. Stuttgart, and especially its mayor, is at the forefront of this new turn towards neo-liberal goals in interurban networking (Becker and Keller 2007). The best summary of the orientation of Stuttgart's international activities is made by the heading of one section of the annual report of the service for international activities of Stuttgart: "the international contacts of the Stuttgart *company*" (Landeshauptstadt Stuttgart 2003: 3, our emphasis). We can therefore conclude that Stuttgart, although it has used the new steering capacity has not used

them according to the optimistic strand of the rescaling theory. We can see that the activities clearly point towards an economic orientation, always reflecting the local economic structure and the need to stay competitive in an increasing global interurban competition.

Urban Entrepreneurialism

This paper is one of the few attempts of an empirical investigation of the rescaling approach. Our goal was to test one specific aspect of the downscaling of political steering capacity from the national to the local scale. We linked the latest developments in two urban policy-domains with the theoretical dispute within the rescaling approach. Whereas some proponents see the urban scale as the one where a possible counter-trend against the neo-liberal turn in politics would be possible, others see the same process of a hollowing out of the state at the urban scale that happened on other scales before. Our investigation strengthens the second, pessimistic argument within the rescaling approach. In the “traditional” policy-area of housing provision, the city of Berlin is in retreat and leaves more and more decisions to the free market. In the case of the newly emerging policy area of international contacts, the city of Stuttgart uses these contacts to promote itself as an economical powerhouse on the global scale.

We were therefore able to show that there is a clear predominance of entrepreneurial strategies in the two policy fields under scrutiny. The fact that we compared two quite different policy areas did not change the overall conclusion. Quite the contrary, the same mechanisms of an orientation on market logics happen in both policy areas. Cities have not used the rescaled political steering capacity to counter the general neo-liberal turn of politics. The privatization of housing as well as the increased international activities can be regarded as strategies oriented towards strengthening the city's position in an increased international competition. Social cohesion is not a priority goal in these two policy domains. It has lost this

dimension in the housing policy and has never gotten any importance in the international activities at the urban scale, as it was the hope of some scholars. The more pessimistic strand of the rescaling literature seems to describe current policy-making at the urban scale more accurately. Looking at Berlin's housing policy and Stuttgart's international activities, we do not witness an attempt of the two cities to counter-balance the neo-liberal turn in politics.

We therefore plead for more empirical investigations to test the hypotheses from the rescaling approach. We also point to the importance to look at different policy areas in doing so and to systematically compare the findings from these policy areas. Only in doing so, current trends of the neo-liberal turn at the urban scale can be detected and fully analyzed. Additionally, the relative importance of the policy sector seems to be important in the neo-liberal orientation of cities. Not only the orientation within the two policy domains is important, but also the shift from certain policy areas to others. As we witness an increasing importance of the international contacts in several cities (see van der Heiden 2008) and showed a decreasing importance of housing policy in the overall policy-making of Berlin, this is an additional argument for the neo-liberal turn in urban politics. Competitiveness and entrepreneurial goals lead to a shift towards policy areas that are less cost-intensive and more directly oriented towards these goals. Traditional policy-making in e.g. social housing, focusing on social cohesion, is less and less important.

There is thus an overall neo-liberal turn of urban policy-making in the age of glocalization. While the strategies are often not coined as neo-liberal in the public discourse, there is a clear agenda towards entrepreneurialism and away from policies aiming at social coherence. This is problematic in that there is no transparency and therefore no public discourse on this neo-liberal turn. The withdrawal from the traditional social policy of housing as well as the increasing steering of the new policy domain of international activities have a clear hidden agenda: to favorably place the city within the global competition for location economies.

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